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ABSTRACT

This lesson on managing human resources, the 12th in a series of 18 units, is part of the first level of a comprehensive entrepreneurship curriculum entitled: A Program for Acquiring Competence in Entrepreneurship (PACE). (Designed for use with secondary students, the first level of PACE introduces students to the concepts involved in entrepreneurship and helps them become aware of entrepreneurship as a career option.) The following topics are included in the unit: the meaning of the term "human resource management," the various responsibilities that make up human resource management, and the obligations that employers have to their employees. Included in the lesson are instructional text organized in a question-and-answer format, individual and group learning activities, a case study, and assessment questions. (MN)

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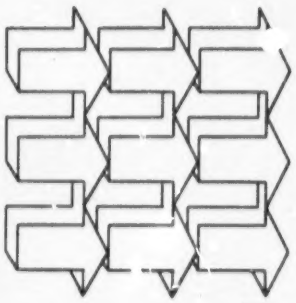

UNIT 12

- [x] Level 1
- [ ] Level 2
- [ ] Level 3

Managing Human Resources

Developed by M. Catherine Ashmore and Sandra G. Pritz

You will be able to:

- **Define human resource management.**
- **Explain the importance of human resource management as it relates to the success of a business.**
- **Identify the various responsibilities that make up human resource management.**
- **Describe the obligations employers have to employees.**

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BEFORE YOU BEGIN. . .

1. Consult the *Resource Guide* for instructions if this is your first PACE unit.

2. Read the Unit Objectives on the front cover. If you think you can meet these objectives now, consult your instructor.

3. Look for these business terms as you read this unit. If you need help with their meaning, turn to the Glossary in the *Resource Guide.*

   compensation
   human resource management

MANAGING HUMAN RESOURCES

WHAT IS THIS UNIT ABOUT?

Every business needs workers. When starting a new business, it is common to ask family members to work. As the business grows, however, other workers may be needed. Because the success of a business frequently depends upon the productivity of the people doing the work, it is important to have good workers.

This unit is about working with people so that they will be productive employees. This is called human resource management (HRM). In this unit, you will learn about the importance of human resource management, the responsibilities of the entrepreneur in HRM, and the obligations of employers to employees.

HOW IS HUMAN RESOURCE MANAGEMENT DEFINED?

The human resources of a business are its employees. Simply stated, human resource management is managing your employees. Although this may sound like a very simple thing to do, it is a very challenging part of being an entrepreneur.

Managing, of course, involves planning, organizing, directing, and controlling. In HRM you will be planning how to go about hiring your employees and ensuring that they do the job effectively. This means you must determine what kind of employees you need and how to go about selecting them. *Organizing* your human resources consists of orienting them to your business and training them to do their jobs. The directing step consists of leading and motivating your employees on the job so they will be productive. Finally, *controlling* involves evaluating the work of your employees and rewarding them appropriately. It also involves building a positive and enduring relationship with your employees.

In a broader sense then, human resource management may be defined as the process of planning, organizing, directing, and evaluating all the activities that directly involve the employees and promote their productivity.

WHY IS HUMAN RESOURCE MANAGEMENT IMPORTANT?

Have you ever encountered an unpleasant and uncooperative salesperson, receptionist, secretary, or other employee of a business? Most of us have, and it was not an enjoyable experience. In fact, you may have decided not to do business there again. Perhaps you actually took your business elsewhere.

Do you think the business owner wanted the employee to treat you this way? Of course not. Employees that have direct contact with customers are the business from the viewpoint of the customer. That is, in the mind of the customer, the image of the business is based on the appearance and actions of the employee. A polite, helpful, and neatly groomed employee makes a good impression for a business. On the other hand, a rude, unhelpful, and sloppy-looking employee causes the customer to think, "What kind of business would hire someone like this?"

Of course, other employees also have a great deal to do with the success or failure of a business. The dishwasher who fails to clean the eating utensils carefully, the custodian who streaks the display window, and the production worker who attaches a part carelessly also cause customer dissatisfaction or project a bad image for the business.

Another reason why managing your human resources is so important is that they are a costly resource. Since many small businesses must use a large part of their profits to pay employees, entrepreneurs want to get their money's worth. Employees who do not produce are a financial drain on the business.

In general then, human resources management is important because of its direct and indirect effects on the success of your business. Without productive employees, it is difficult for a business to succeed.

More specifically, in its publication *Personnel Management*,[1] the Small Business Administration emphasizes the importance of human resources management through the following points:

- The firm's employees—especially the most qualified ones—can get comparable, if not better, jobs with other employers.
- When a firm faces a scarcity of supervisory and specialized personnel with adequate experience and job capabilities, it has to train and develop its own people.
- The cost of hiring and training employees at all levels is increasing. For instance, hiring and training a salesperson can cost several thousand dollars. A mistake in hiring or slow and inefficient methods of training can be costly.
- Most employees, whether or not they are represented by labor unions, continue to seek improvements in salary, employee benefits, and working conditions. All employee compensation

must be based on what the firm can afford, must comply with current practices of other employers, and must be understood and accepted by the employees. To do all this, employee policies and operating procedures should be thought about and developed carefully.

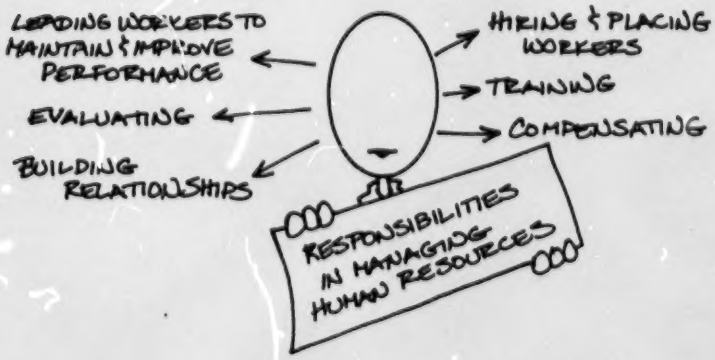
- Just because a firm offers competitive salaries, benefits, and working conditions doesn't mean that all your employees will do good work. In addition to these financial or physical compensations, employees need responsibility, the opportunity to develop new skills, or some recognition of accomplishment in their jobs. [2]

WHAT ARE ENTREPRENEURS' RESPONSIBILITIES IN HUMAN RESOURCE MANAGEMENT?

Entrepreneurs have six major responsibilities in managing the human resources of their businesses. They are—

- hiring and placing new workers;
- training workers to be productive;
- compensating workers for their efforts;
- helping workers to maintain and improve their performance;
- evaluating workers' performance;
- building relationships with workers.

These responsibilities will be discussed in more detail in the following sections.



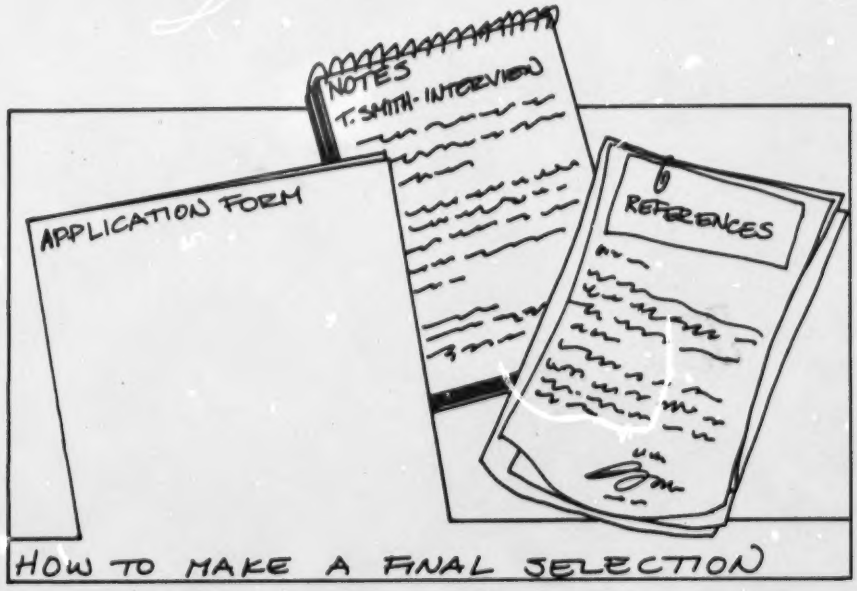
WHAT ABOUT HIRING AND PLACING NEW EMPLOYEES?

Hiring new employees and placing them on the job are the first steps toward high employee morale. A key factor in the successful operation of any business is matching the right job to the right person. A procedure for determining the applicant's strengths must be developed and implemented. If you make sure that an employee is happy performing the job and feels good about the contribution being made, then you will avoid one of your biggest employee problems.

Knowing what it takes to handle a job effectively is critical to making sound hiring decisions. Learning where to locate prospective employees and how to measure their qualifications is also important.

WHAT ABOUT TRAINING NEW EMPLOYEES?

After the applicant has been matched to the job that meets his or her skills, the employee may need some additional training. This training may be on the operation of a particular piece of equipment, or it may be intensive study in preparation for certification in insurance sales. All training should be organized by identifying goals and objectives. The training should be provided by a person who has the skill, knowledge, and attitudes that need to be taught.

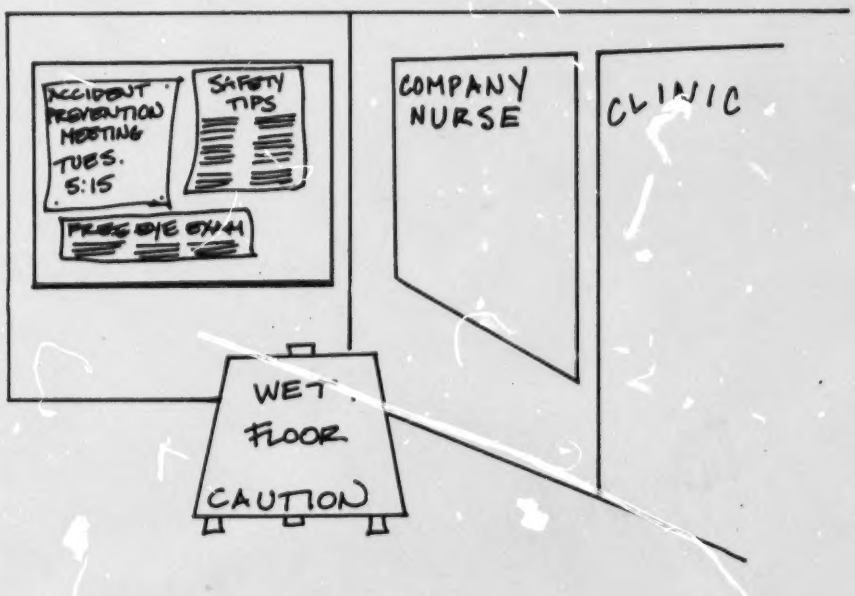


WHAT ABOUT COMPENSATING EMPLOYEES?

All employees are concerned with the compensation that a company has to offer them. The following lists different types of compensation:

- **Wages**
- **Health insurance**
- **Life insurance**

- Paid vacations
- Profit-sharing programs
- Retirement programs
- Birthdays off with pay
- Employee discounts
- Company services (such as cleaning, altering, or painting an item for free if it is a business-related concern)



You, as the employer, need to know what other companies like yours are doing for their employees. Remember, you may be in competition for highly skilled individuals. You may lose a good prospective employee because you weren't aware of what the other company had to offer. Make sure that you are staying up with the competition in your compensation program.

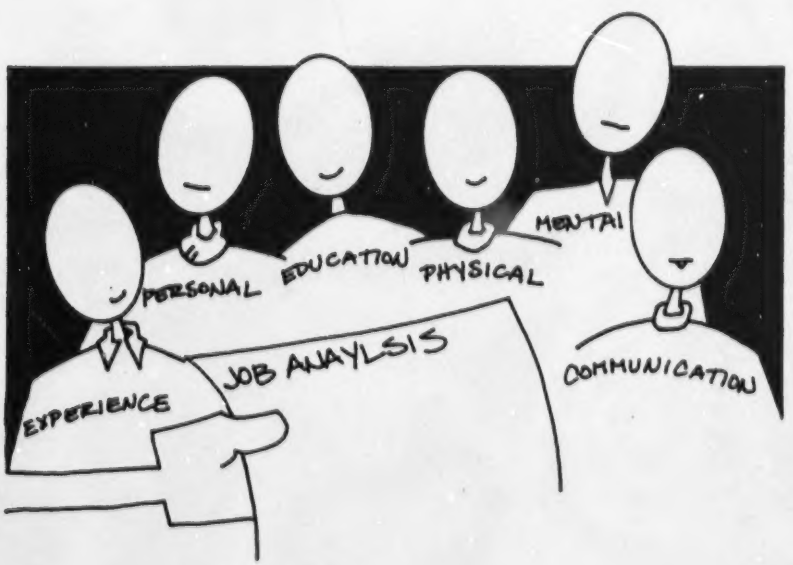
You will probably need to hire someone trained in payroll and recordkeeping. If you don't, you'll probably have to set a specific amount of your time aside each week to performing these activities. A working knowledge of the most current forms and practices required by federal agencies is a must. You will also need to be aware of all the records that must be maintained on each employee such as records of hours worked, taxes paid by the company, taxes withheld from employee's pay and sent to the Internal Revenue Service (IRS), insurance paid, unemployment compensation paid, and profit sharing. (See PACE Unit 15.)

WHAT ABOUT LEADING EMPLOYEES?

As the owner of the business, you are also the leader of your employees. They will naturally look to you for direction and inspiration. In small businesses there are usually few levels of management. Therefore, you probably will be your employees' immediate supervisor. You are responsible for seeing that they do their job efficiently. As a supervisor you will be giving orders, delegating authority, solving problems, and in general, making sure that your employees are productive.

An employee's job performance and behavior are greatly affected by communication. Therefore, you need to communicate with your employees in an effective manner. Effective communications assure an entrepreneur of having informed workers. Good communications can improve the image of the company when satisfied employees share their positive feelings with the community.

When you start your business, you will have many tasks to perform. Developing methods that you can use to communicate between you and your employees may be one of the first items on your "must do" list.



Besides communicating effectively, another important part of leading employees involves motivating them. People are not machines. They are not started in the morning by pushing a start button, nor turned off by throwing an off switch. Motivating your employees includes making your employees understand their value to the business and getting them to give a fair day's work for a fair day's wage willingly. Motivated employees will help your business prosper and grow. Motivating your employees to be productive may be a key to your success as a supervisor.

WHAT ABOUT EVALUATING EMPLOYEES?

Employee transfers, promotions, and firings primarily involve employee evaluation. Employers need to be aware of each employee's performance on an ongoing basis. Regardless of the size of the company, all employees should be periodically evaluated. The results of that evaluation should be discussed with them.

In an evaluation program, goals should be set and a program should be established to help the employees reach those goals. This way, company operations are established in an efficient, objective manner. Promotions and raises can be given out fairly. A good personnel program provides rewards such as promotions and raises to persons meeting specific standards. Conversely, evaluations should identify those employees who are not working up to company standards. It may become necessary to fire employees because they cannot perform the job in an acceptable manner. Such employees might perform more effectively in another company.

WHAT ABOUT BUILDING A RELATIONSHIP WITH EMPLOYEES?

For the small business owner, developing a harmonious relationship with employees is vital. Good employees are hard to find. Therefore, an entrepreneur, after finding and developing good employees, must work hard in building a relationship with them. Three areas of employee relations involve health and safety, union, and company-sponsored groups.

WHAT ABOUT HEALTH AND SAFETY OF EMPLOYEES?

In 1970, the Occupational Safety and Health Act was legislated. The Act requires employers to be responsible for providing a safe and healthful work place.

One out of every eight workers has a work-related illness or accident each year. Safety training should be provided to your employees in an effort to reduce accidents. This training can take the form of intensive training sessions, weekly meetings, or placing signs in areas where accidents might occur and extra caution should be taken.

An area in your firm should be set aside for employees with health problems. The public health department of your county or city will assist you with this. The area should include space where an ill employee can lie down. Minor medical supplies should be readily available, as well as information on where to reach medical assistance in case of emergency.

WHAT ABOUT UNIONS AND SMALL BUSINESSES?

Small firms are less likely to be unionized than large firms. On the other hand, small firms in certain industries such as printing, manufacturing, trucking, and construction, are likely to have union contracts. Small businesses located in heavily industrialized areas are also more likely to be unionized.

Many entrepreneurs seem to have strong feelings against unionization. Often entrepreneurs perceive activities on the part of their employees to unionize as a personal insult. They believe only a few of their employees are unhappy or that "outsiders" (presumably nonemployees) have created dissatisfaction among the workers.

Employees may become members of a union for a variety of reasons including the desire for better economic and working conditions, the desire to have control over benefits, and the desire for self-expression. At times, employees organize simply because they believe their interests and those of management are different.

The presence of a union need not be regarded negatively. Many small firms enjoy cooperative, positive relationships with unions.

WHAT ABOUT COMPANY-SPONSORED EMPLOYEE GROUPS?

Company groups help employees get acquainted with other employees. Workers get to know their coworkers in a different light away from the business. Company-organized groups may be classified as those that are socially oriented or company oriented. The socially oriented organizations are the bowling leagues, the golf team, the softball or basketball team, and so on. The company-oriented groups are those with company-related objectives. For example, an inventors' club in a manufacturing company includes the designers and engineers who have invented mechanisms for the firm. Another example is an investors' club whose members are involved in making investments in either their own company or in another company. Members of the investors' club become familiar with the activities the employer goes through to make a profit on capital.

WHAT OBLIGATIONS DO ENTREPRENEURS HAVE TO THEIR EMPLOYEES?

Your employees are an important part of your business. You may employ salespeople, custodians, secretaries, production workers, supervisors, and so on. Regardless of occupation, certain basic employment guidelines are established by law. In order to have a successful business, you need to be responsive to these guidelines. Here are the guidelines you need to follow:

- You must provide a reasonably safe and suitable place for employees to perform their jobs. What constitutes a "reasonably safe and suitable place" should be determined by the nature of the work and the dangers that are common to that particular job. An employee should not be exposed to undue risks and dangers.

- You must provide your employees with safe and suitable tools, machinery, and appliances to use in completing their assigned jobs. If dangerous machinery is used, appropriate safeguards must be taken. You must instruct inexperienced employees on the use of dangerous machinery and the risk involved in careless use.

- You must have a work staff that is large enough to handle the work load. Nothing will ruin your employees' work attitudes faster than being assigned more work than they can complete.

ACTIVITIES

The following three types of activities are provided so that you can try out what you have learned about managing human resources. After completing each one, stop and check your answers. This will help you measure your knowledge of managing human resources.

INDIVIDUAL ACTIVITY

On a separate piece of paper, write the word that completes each statement. The number of blanks corresponds with the number of letters in the word.

1. In simple terms, human resource management is _ _ n _ _ i _ _ your employees.
2. Determining how to go about hiring your employees involves the management steps of _ _ a _ n _ _ _
3. In managing human resources, the directing step consists of leading and _ _ t _ _ _ t _ _ _ employees.
4. Evaluating your employees is a part of the management step of _ o _ _ r _ _ _ _ _ _
5. The first step to high employee morale is _ _ r _ _ _ new workers.
6. Training should be provided by someone with kn _ _ _ _ dg _ and _ _ i _ l in what is being taught.
7. Wages, insurance, and paid vacations are a part of the _ _ m _ _ _ s _ _ _ _ _ employees receive for doing their jobs.
8. The supervisor's job is generally to see that employees are _ _ o _ _ c _ _ _ _
9. Effective _ o _ _ _ _ _ c _ _ _ _ _ s can ensure that an entrepreneur has informed employees.
10. One part of building employee relations involves _ e _ _ t _ and safety precautions.

GROUP ACTIVITY

Divide into small groups of three to four students. Discuss the characteristics of a good employee. Determine what you as an entrepreneur would look for in a prospective employee. Ask those students who have had jobs to tell you what they know employers want. On the other hand, discuss what they look for in a good employer. As a result of the discussion develop the following:

- A list of good employee characteristics
- A list of good employer characteristics
- A statement that explains the relationship between the two lists of characteristics

Each group should make a report to the class on its discussion results. A comparison of the group reports to discover similarities and differences should also be conducted.

CASE STUDY

Charo Regnetti has opened a pizza take-out business. For the first month, she and her family handled everything from cooking to cleaning to waiting on customers. However, because her husband has another full-time job and her children attend school, Charo has realized she needs to hire some additional help.

Charo's attitude toward adding new employees is somewhat negative. She says if she must, she must. It is as simple as that. All you have to do is put a "help wanted" sign in the window, put an apron on the first person that walks in, and tell the new employee what to do. The term human resource management means nothing to Charo.

1. Explain to Charo what human resource management is.
2. Describe to Charo the importance of hiring new employees. Let her know how employees affect the success of a business.
3. Detail the six responsibilities Charo will have in managing her new employees.
4. Relate to Charo the obligations she will have to her new employees.

ASSESSMENT

Directions: Read the following questions concerning managing human resources. They are provided for you to check your knowledge about this topic. When you feel ready, ask your instructor to assess your knowledge on them.

1. Define human resource management.
2. Explain the importance of human resource management as it relates to the success of a business.
3. Identify at least six responsibility areas that make up human resource management.
4. Describe the obligations employers have to employees.

NOTES

[1]U. S. Small Business Administration. *Personnel Management.* Washington, D.C. U.S. Government Printing Office, 1981, p. 3.

[2]IBID

We thank the above authors for permission to reprint from their work.

OTHER SOURCES USED TO DEVELOP THIS UNIT

Burstiner, Irving. *The Small Business Handbook.* Englewood Cliffs, New Jersey: Prentice-Hall, 1979.

Dickson, Franklyn J. *Successful Management of the Small and Medium-Sized Business.* Englewood Cliffs, New Jersey: Prentice-Hall, 1971.

Siegel, William L. *People Management for Small Business.* New York: John Wiley & Sons, 1978.

For further information, consult the list of additional sources in the *Resource Guide.*

PACE

Unit 1. Understanding the Nature of Small Business

Unit 2. Determining Your Potential as an Entrepreneur

Unit 3. Developing the Business Plan

Unit 4. Obtaining Technical Assistance

Unit 5. Choosing the Type of Ownership

Unit 6. Planning the Marketing Strategy

Unit 7. Locating the Business

Unit 8. Financing the Business

Unit 9. Dealing with Legal Issues

Unit 10. Complying with Government Regulations

Unit 11. Managing the Business

Unit 12. Managing Human Resources

Unit 13. Promoting the Business

Unit 14. Managing Sales Efforts

Unit 15. Keeping the Business Records

Unit 16. Managing the Finances

Unit 17. Managing Customer Credit and Collections

Unit 18. Protecting the Business

Resource Guide

Instructors' Guide

Units on the above entrepreneurship topics are available at the following three levels:

- Level 1 helps you understand the creation and operation of a business
- Level 2 prepares you to plan for a business in your future
- Level 3 guides you in starting and managing your own business

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